

**M
E
M
B
E
R

H
A
N
D
B
O
O
K**

State of New Jersey

**Public Employees'
Retirement System**

**LEGISLATIVE
RETIREMENT
SYSTEM
ADDENDUM**



January 2006

**Department of the Treasury
Division of Pensions and Benefits**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

HANDBOOK ADDENDUM FOR THE LEGISLATIVE RETIREMENT SYSTEM OF THE PERS

as of January 2006

INTRODUCTION

As a member of the State Legislature, you are entitled to all the privileges of membership in the Public Employees' Retirement System (PERS).

In addition, members of the Legislative Retirement System (LRS) group of the PERS are eligible for enhanced retirement benefits not available to regular PERS members.

This *Handbook Addendum* addresses those benefits available to LRS members that are different than those available to regular PERS members. If a topic is not specifically addressed in this addendum, LRS members should refer to the information in the *Public Employees' Retirement System Member Handbook*.

MEMBERSHIP

Eligibility

Individuals become members of the Legislative Retirement System group when elected to the New Jersey State Legislature and enrolled in the Public Employees Retirement System.

SERVICE CREDIT

Service credit for members of the LRS can be of one of two types:

- **Legislative Service** — credit for service as an elected legislator; and
- **Non-Legislative Service** — service credit from other PERS eligible employment.

VESTING

Members of the LRS are vested in the retirement system after eight years of legislative service.

RETIREMENT

Types of Retirement

The various types of retirement available to you as a legislative member are explained below.

Special Legislative Retirement

As a Legislator you qualify for a Special Legislative Retirement benefit at age 60 with no minimum service requirement. If your only public service credited in the PERS is as a legislator, your retirement allowance will be based on 3 percent of your Final Average Salary for each year of service as a legislator.

"Final Average Salary" means your salary subject to pension deductions in your last three years of service or your three highest fiscal years (July - June), whichever provides the larger benefit. Your retirement allowance can be no more than two-thirds of your Final Average Salary.

The following example demonstrates the calculation for a legislator (age 60 or older) retiring with 12 years of legislative service and no other PERS service credit.

Special Legislative Retirement

Final Average Salary = \$49,000

Service = 12 years X 3% = 36%

\$49,000 X 36% = **\$17,640** annual retirement allowance

Value of group life insurance in retirement equals 3/16ths of salary in final year.

\$49,000 X 3/16 = **\$9,187**

Service Retirement (Non-Legislative)

If you have other public service credited in the PERS in addition to your legislative service, your retirement allowance will be calculated three ways to determine which method provides the highest benefit. The alternative methods of calculation are listed below:

1. Special Legislative Retirement allowance (years of legislative service X 3% X Final Average Salary)

2. PERS Service Retirement allowance (years of PERS service ÷ 55 X Final Average Salary).

Note: The PERS Service Retirement will be based

Calculation of Retirement Benefits for Both Legislative and Non-Legislative Service

<u>Position</u>	<u>Service</u>	<u>Final Average Salary</u>			
Legislature	10 years	\$49,000			
Non-Legislative Position the last 10 of which were concurrent with the legislative service	11 years	\$15,000			
Three highest years of salary (averaged) when salary is combined		\$64,000			
<u>Calculation Type</u>	<u>Final Average Salary</u>	<u>X</u>	<u>Benefit Percentage</u>	<u>=</u>	<u>Retirement Allowance</u>
Special Legislative Retirement Allowance	\$49,000 (Based on 10 yrs. legislative service)		30% (10 yrs X 3%)		\$14,700
Regular PERS Retirement Allowance	\$64,000 (Based on all public service credit 11 yrs)		20% (11 yrs ÷ 55)		\$12,800
Combined Allowances (Legislative)	(\$49,000 - 10 yrs)		30%		\$14,700
(Non-legislative)	(\$15,000 - 11 yrs)		20%		\$3,000
					<u>\$17,700</u>

upon all credited public service and salary considered as regular PERS service. You will not receive duplicate service credit for any period during which you were contributing to the retirement system based on concurrent service for both legislative and non-legislative public service as no more than 12 months of service credit will be counted for any calendar year. A PERS Veteran Retirement allowance will be calculated if applicable.

3. Combined Retirement Allowance (sum of a Special Legislative Retirement allowance and a regular PERS retirement allowance based on non-legislative service).

An example of the different calculations of retirement benefits for a legislator, age 60, with non-legislative service credit is shown in the chart above.

In the example, the third calculation produces the highest allowance of the three and therefore represents the retirement allowance the legislator will receive. The value of the group life insurance benefit at retirement is 3/16ths of his or her total final salary of \$64,000, or \$12,000. In the event the first calculation represented the highest possible allowance the member would have received a refund of the unused pension contributions for his or her non-legislative service.

The Division of Pensions and Benefits will carefully review all calculation possibilities at retirement to

ensure that you receive the highest benefit permitted by statute. Legislators with more than 8 years of legislative service or who are 58 years of age or older are encouraged to contact the Division of Pensions and Benefits to request a retirement estimate to aid in retirement planning.

Additional types of retirement available to legislators whose public service careers include non-legislative service credit in the PERS follow.

Deferred Retirement

If you leave all positions covered by the PERS before age 60, and have at least 8 years of legislative service credit in the PERS, you may apply for a Deferred Retirement. Your retirement would be effective on the first of the month following your 60th birthday. Your retirement allowance would be calculated in the same way as the Service Retirement explained above.

As a legislator, you would qualify for a Deferred Retirement after eight years of legislative service, rather than the 10 years needed by other PERS members.

Early Retirement

If you have at least 25 years of service credit in the PERS, you qualify for an immediate retirement allowance, regardless of your age. Your retirement

allowance would be calculated by dividing your years of service credit by 55 and multiplying that by your Final Average Salary (years/55 X FAS). If you are under age 55, your allowance is permanently reduced 1/4 of 1 percent for each month under that age (3 percent per year).

Veteran Retirement

If you are a military veteran who continues in employment covered by the PERS until at least age 60, and have credit for 20 or more years of service in the PERS, or have 25 years of service at age 55, you qualify for a retirement allowance based on 54.5 percent of your highest 12 consecutive months of salary. Veterans with 35 or more years of service who continue in employment covered by the PERS until at least age 55 can have their retirement calculated by dividing their years of service by 55 and multiplying that by the salary in their highest 12 consecutive months of salary (years/55 X highest 12 consecutive months of salary).

Disability Retirement

If you become totally and permanently disabled, you may apply for an **Ordinary Disability** retirement if you have at least 10 years of New Jersey service credit in the PERS. Your retirement allowance would be based on 1.64 percent of your Final Average Salary for each year of service credit with a minimum of 43.6 percent of Final Average Salary.

If you become totally and permanently disabled as a result of a traumatic event that happened during and as a direct result of carrying out your regular or assigned job duties, you may apply for an **Accidental Disability** retirement. Your retirement allowance would be based on 72.7 percent of your salary at the time of the traumatic event.

More information on qualifying and applying for a disability retirement can be found in Fact Sheet #15, *Disability Retirement Benefits*.

OPTIONAL SETTLEMENTS AT RETIREMENT

The calculations for each type of retirement shown above produce the largest amount available to you, also known as the Maximum Option. When you apply for retirement you may reduce your retirement allowance to provide a benefit to a survivor upon your death. Several alternative options are available that provide either a lump-sum benefit or a monthly

pension to your beneficiary. These options are the same as those available to other PERS members. Please see the *PERS Member Handbook* for more information.

RETIREMENT WHILE REMAINING IN THE ELECTED POSITION

State law (N.J.S.A. 43:15A-47.2) permits an elected official, who retires from the PERS and is granted a retirement allowance that is not based solely upon his or her elective position, to receive a PERS retirement allowance while remaining in the elected position. This is true even if the member is re-elected to the position after retirement.

EMPLOYMENT AFTER RETIREMENT

If you retire from all public service in New Jersey (except for Deferred Retirement) and are subsequently elected to an office in New Jersey, State law (N.J.S.A. 43:3C-3) gives you the option of canceling your retirement allowance and re-enrolling in the retirement system. If you opt not to enroll, you would continue to collect your retirement allowance but would not be enrolled in the retirement system.

GROUP LIFE INSURANCE

Most **active** members of the State Legislature are covered by a group life insurance benefit of 3 times base salary (see the *PERS Member Handbook* for details).

Upon retirement, the group life insurance benefit is reduced to 3/16ths of the base salary at retirement. **Note:** Group life insurance reduction amounts differ for disability retirees (see the *PERS Member Handbook* for details).

"Base Salary" means your salary subject to pension deductions as of the date of death or retirement.

OTHER PROVISIONS OF THE PERS

The rules regarding Contribution Rates, Purchasing Service Credit, Loans, Health Benefits Coverage at Retirement, and Withdrawal from the PERS are the same for LRS members as they are for regular PERS members. Please see the *PERS Member Handbook* or your personnel representative for more information regarding these benefits.

NOTES

